

SECI



11022562

MISSION

## OMB APPROVAL

OMB Number: 3235-0123  
Expires: April 30, 2013  
Estimated average burden  
hours per response.... 12.00

## ANNUAL AUDITED REPORT

FORM X-17A-5

## PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 there under

SEC FILE NUMBER

8-68063

REPORT FOR THE PERIOD BEGINNING 01/01/10 AND ENDING 12/31/10  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SENECA PARTNERS BD, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

121 WASHINGTON STREET, SUITE 400

(No. and Street)

ANN ARBOR

(City)

MICHIGAN

(State)

48104-1925

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

RAJESH KOTHARI(248) 723-6650

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

(Name -- if individual, state last, first, middle name)

MELLEN, SMITH & PIVOZ PLC30600 TELEGRAPH ROAD, #1131

(Address)

BINGHAM FARMS

(City)

MICHIGAN

(State)

48025

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant is not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

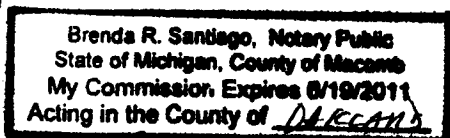
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Potential persons who are to respond to the collection of information  
contained in this form are not required to respond unless the form  
displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, RAJESH KOTHARI, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SENECA PARTNERS BD, LLC as of DECEMBER 31, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer, or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE



FEBRUARY 27, 2011  
Brenda R. Santiago  
Notary Public

[Signature]  
Signature

MANAGING MEMBER  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholder's Equity.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditors' report on internal accounting control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**SENECA PARTNERS BD, LLC**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2010**

# **SENECA PARTNERS BD, LLC**

## **CONTENTS**

---

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
-------------------------------------	----------

### **FINANCIAL STATEMENTS**

Statement of Financial Condition	2
----------------------------------	---

Statement of Income and Changes in Member's Equity	3
--	---

Statement of Cash Flows	4
-------------------------	---

Notes to Financial Statements	5
-------------------------------	---

<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL</b>	<b>7</b>
---	----------

<b>INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION</b>	<b>9</b>
--	----------

### **SUPPLEMENTARY INFORMATION**

Computation of Net Capital Under SEC Rule 15c3-1	10
--	----

Annual Audited Report Form X-17A-5, Part III	11
--	----

Oath or Affirmation	12
---------------------	----

**MELLEN, SMITH & PIVOZ PLC**

Certified Public Accountants

30800 Telegraph Rd.  
Suite 1131  
Bingham Farms, MI 48025-4531  
(248) 642-2803  
Fax (248) 642-7236



Robert E. Mellen, CPA  
Michael A. Pivoz, CPA  
Mark L. Smith, CPA  
Jeffrey A. Campeau, CPA  
Peijin Harrison, CPA  
Lori A. Wigler, CPA

Gerald A. Kirschner, CPA  
Eric L. Lambert, CPA  
Lynne E. McKelvey, CPA  
Elizabeth M. Pietrangolo, CPA  
Jason L. Pivoz, CPA  
Dennis A. Reef, CPA  
Kevin S. Terry, CPA

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Member  
Seneca Partners BD, LLC  
Ann Arbor, Michigan

We have audited the accompanying statement of financial condition of Seneca Partners BD, LLC (the "Company") as of December 31, 2010, and the related statement of income and changes in member's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seneca Partners BD, LLC, as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Mellen Smith &amp; Pivoz', written in a cursive style.

February 24, 2011

# SENECA PARTNERS BD, LLC

## STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2010

---

### ASSETS

#### ASSETS

Cash	\$	18,351
Accounts receivable - Non-customers		47,066
Prepaid expenses		<u>5,301</u>
Total assets	\$	<u>70,718</u>

### LIABILITIES AND MEMBER'S EQUITY

#### LIABILITIES

Accounts payable	\$	<u>5,099</u>
------------------	----	--------------

#### MEMBER'S EQUITY

Total liabilities and member's equity	\$	<u>65,619</u>
		<u>70,718</u>

*See independent auditors' report and notes to financial statements.*

# SENECA PARTNERS BD, LLC

## STATEMENT OF INCOME AND CHANGES IN MEMBER'S EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010

<b>REVENUE</b>	
Closing fees	\$ 1,602,950
Client advisory fees	301,500
Other income	<u>42,924</u>
Total revenue	<u>1,947,374</u>
<b>OPERATING EXPENSES</b>	
Accounting	4,000
Advertising	140
Education	2,789
Insurance	3,146
Marketing	6,539
Office	1,798
Payroll	539,944
Postage	2,223
Professional	4,485
Registration and licensing	8,706
Rent	26,160
Telephone	3,733
Travel	<u>39,503</u>
Total operating expenses	<u>643,166</u>
INCOME FROM OPERATIONS	1,304,208
OTHER INCOME - Interest income	<u>29</u>
NET INCOME	<u>1,304,237</u>
MEMBER'S EQUITY -	
Beginning of year	20,382
DISTRIBUTIONS	<u>(1,259,000)</u>
MEMBER'S EQUITY -	
End of year	<u>\$ 65,619</u>

See independent auditors' report and notes to financial statements.

# SENECA PARTNERS BD, LLC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010

---

### CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 1,304,237
(Increase) Decrease in:	
Accounts receivable	(46,965)
Prepaid licenses	(1,907)
Increase (Decrease) in:	
Accounts payable	<u>3,959</u>
Net cash provided by operating activities	<u>1,259,324</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Distributions to member	<u>(1,259,000)</u>
-------------------------	--------------------

NET INCREASE IN CASH 324

CASH - Beginning of year 18,027

CASH - End of year \$ 18,351

*See independent auditors' report and notes to financial statements.*



# SENECA PARTNERS BD, LLC

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Nature of Operations* - Seneca Partners BD, LLC (the "Company") is a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA") and the Securities and Exchange Commission ("SEC") and is a member of Securities Investor Protection Corporation ("SIPC"). The Company is a Michigan Limited Liability Company that is a wholly owned subsidiary of Seneca Partners, Inc. (the "Parent"). The Company provides financial and consulting services to a variety of companies.

*Basis of Accounting* - The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Use of Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents* - For purposes of the statements of cash flows, the Company considers all deposits in demand accounts and all short-term securities purchased with a maturity of three months or less to be cash or cash equivalents.

*Revenue and Cost Recognition* - Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

*Advertising* - The Company expenses all advertising costs when incurred. Advertising expense was \$140 for the year ended December 31, 2010.

*Income Taxes* - The Company is not a tax paying entity for the purposes of federal and state income taxes. Federal and State income taxes of the Company are reported by the Parent entity, and accordingly, no provision for income taxes has been reflected on the statements.

### NOTE 2 - NET CAPITAL REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1), or \$5,000, whichever is greater. As of December 31, 2010, the Company had a net capital of \$13,252, which exceeded the requirements by \$8,252.

There were no material differences between net capital as calculated by the Company and the balance audited by Mellen, Smith and Pivoz PLC.

*See independent auditors' report.*

# **SENECA PARTNERS BD, LLC**

## **NOTES TO FINANCIAL STATEMENTS**

---

### **NOTE 3 - RELATED PARTY TRANSACTIONS**

The Company has an Expense Sharing Agreement with the Parent company covering certain general and administrative expenses. The Company is invoiced for these services on a monthly basis. Included in general and administrative expenses are charges for salaries of \$539,944, rent and utilities of \$26,160, and other expenses and fees of \$12,420 for the year ended December 31, 2010.

### **NOTE 4 - SUBSEQUENT EVENTS**

The Company has evaluated events and transactions that occurred between December 31, 2010 and February 24, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

*See independent auditors' report.*

**MELLEN, SMITH & PIVOZ PLC**

Certified Public Accountants

30600 Telegraph Rd.  
Suite 1131  
Bingham Farms, MI 48025-4531  
(248) 842-2803  
Fax (248) 842-7236



Robert E. Mellen, CPA  
Michael A. Pivoz, CPA  
Mark L. Smith, CPA  
Jeffrey A. Campeau, CPA  
Peijin Harrison, CPA  
Lori A. Wigler, CPA

Gerald A. Kirschner, CPA  
Eric L. Lambert, CPA  
Lynne E. McKelvey, CPA  
Elizabeth M. Pietrangola, CPA  
Jason L. Pivoz, CPA  
Dennis A. Reef, CPA  
Kevin S. Terry, CPA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL**

To the Board of Directors and Member  
Seneca Partners BD, LLC  
Ann Arbor, Michigan

In planning and performing our audit of the financial statements and supplemental schedules Seneca Partners BD, LLC (the "Company"), for the year ended December 31, 2010, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17-a3(a)(11) and for determining compliance with the exemptive provisions of rule 15d3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of the Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of the customer as required by Rule 15c3-3.

(Continued)

The management of the Company is responsible for establishing and maintaining internal controls and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. In addition, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider material weakness as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and our study, we believe that the Company's practices and procedures were adequate at December 31, 2010, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



February 24, 2011

## SUPPLEMENTARY INFORMATION

**MELLEN, SMITH & PIVOZ PLC**

Certified Public Accountants

30800 Telegraph Rd.  
Suite 1131  
Bingham Farms, MI 48025-4531  
(248) 642-2803  
Fax (248) 642-7236



Robert E. Mellen, CPA  
Michael A. Pivoz, CPA  
Mark L. Smith, CPA  
Jeffrey A. Campeau, CPA  
Peijin Harrison, CPA  
Lori A. Wigler, CPA

Gerald A. Kirschner, CPA  
Eric L. Lambert, CPA  
Lynne E. McKelvey, CPA  
Elizabeth M. Pietrangola, CPA  
Jason L. Pivoz, CPA  
Dennis A. Reef, CPA  
Kevin S. Terry, CPA

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION  
REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

To the Board of Directors and Member  
Seneca Partners BD, LLC  
Ann Arbor, Michigan

We have audited the accompanying financial statements of Seneca Partners BD, LLC as of and for the year ended December 31, 2010, and have issued our report thereon dated February 24, 2011. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'Mellen P &amp; Pivoz'.

February 24, 2011

# SENECA PARTNERS BD, LLC

## COMPUTATION OF NET CAPITAL UNDER SEC RULE 15c3-1 DECEMBER 31, 2010

### NET CAPITAL

TOTAL MEMBER'S EQUITY	\$	65,619
Deduct member's equity not allowable for net capital		<u>-</u>
Total member's equity qualified for net capital		<u>65,619</u>
ADDITIONS		-
DEDUCTIONS		
Accounts receivable - Non-customers		(47,066)
Prepaid expenses		<u>(5,301)</u>
NET CAPITAL	\$	<u>13,252</u>

### AGGREGATE INDEBTEDNESS

ACCOUNTS PAYABLE	\$	<u>5,099</u>
------------------	----	--------------

### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

#### MINIMUM CAPITAL REQUIRED

The greater of:

Minimum net capital required:	\$	5,000
Aggregate indebtedness - the basic method:		340
Minimum net capital required	\$	5,000

Net capital		<u>13,252</u>
-------------	--	---------------

EXCESS NET CAPITAL	\$	<u>8,252</u>
--------------------	----	--------------

EXCESS NET CAPITAL AT 1,000 PERCENT	\$	<u>12,742</u>
-------------------------------------	----	---------------

RATIO: AGGREGATE INDEBTEDNESS TO NET CAPITAL		<u>38.5%</u>
--	--	--------------

See independent auditors' report and notes to financial statements.